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TO RUEHKL/AMEMBASSY KUALA LUMPUR IMMEDIATE 0904
INFO IRAN COLLECTIVE IMMEDIATE
RUEHLO/AMEMBASSY LONDON IMMEDIATE 2211
RUEHFR/AMEMBASSY PARIS IMMEDIATE 2910

S E C R E T SECTION 01 OF 03 STATE 013998

SIPDIS

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TAGS: [KNNP](#) [MNUC](#) [IR](#) [GM](#) [ECON](#) [XB](#) [XC](#) [XE](#) [MY](#)
SUBJECT: REQUEST FOR MALAYSIA TO WITHDRAW CONDITIONAL
APPROVAL FOR BANK MELLAT LICENSE

REF: A. A) STATE 9376
[1](#)B. B) 08 KUALA LUMPUR 1127

Classified by EAP Deputy Assistant Secretary Scot Marciel,
Reasons 1.4 (B) AND (D).

[1](#)1. (U) This is an action request. Please see paragraph
three.

SUMMARY

[1](#)2. (C) Recent press reports have revealed that as of
December 2008, Malaysia has granted Bank Mellat a license to
operate in Malaysia's offshore financial center in Labuan.
Bank Mellat provides banking services in support of Iran's
nuclear entities, namely the Atomic Energy Organization of
Iran (AEOI) and Novin Energy Company. Given UNSCR 1803's
call to States for vigilance over the activities of financial
institutions in their territories with all banks domiciled in
Iran, and the U.S. designation of Bank Mellat under E.O.
13382, the U.S. urges Malaysia to revoke this license, and
block any pending transactions by Bank Mellat.

OBJECTIVES/ACTION REQUEST

[1](#)3. (C) Washington requests Post engage appropriate host
country officials, including Deputy Prime Minister Najib, to
pursue the following objectives:

-- Reiterate U.S. concerns about the Labuan Offshore
Financial Service's Authority (LOFSA)'s decision to grant
conditional approval for Iran's Bank Mellat to open a
subsidiary in the Labuan Offshore Center under the name
"First East Export Bank."

-- Explain that Bank Mellat has facilitated the movement of
millions of dollars for Iran's nuclear program since at least
2003, and that the United States designated it in October
2007 for providing banking services to Iranian nuclear
entities, namely the Atomic Energy Organization of Iran
(AEOI) and Novin Energy Company. Both AEOI and Novin Energy
have been designated by the United States and by the UN
Security Council under UNSCRs 1737 and 1747.

-- Share additional information about Mellat's role in
illicit activity included in paragraphs 4, 5, and 6 below.

-- Underscore that the U.S. has consulted with the UK and
France on this issue, who share our concerns about the
establishment of a Bank Mellat subsidiary in Labuan.

-- Remind the GOM that Bank Mellat has been designated by the
U.S. under Executive Order (E.O.) 13382 and may be designated
by the EU and/or the UN. The proposed Labuan-based

subsidiary of Bank Mellat could be subject to future designation by the United States under this same EO. U.S. sanctions against a Malaysian-based Iranian-owned financial institution could draw unfavorable international attention to Malaysia's financial sector.

-- Urge GOM to heed the call of UNSCR 1803, adopted on March 4, 2008, which "(c)alls on all member states to exercise vigilance over the financial activities of banks in their territories with all banks domiciled in Iran, and their branches and subsidiaries abroad."

-- Impress upon the GOM that the USG remains fully committed to curbing Iran's illicit abuse of the international financial system.

-- Urge the GOM not to allow Bank Mellat to open a subsidiary in Malaysia.

BACKGROUND AND NONPAPER

¶4. (S//REL MYS) Post may convey the following information to the GOM in writing. Please note that the points in paragraph 5 can only be delivered orally. (NOTE: The information and language used below may not be altered in any way. END NOTE)

STATE 00013998 002 OF 003

(S//REL MYS) The U.S. has information indicating that Bank Mellat provided financial services in support of Iran's nuclear industry, namely the Atomic Energy Organization of Iran ("AEOI"), by servicing and maintaining AEOI bank accounts, mainly through an AEOI front company, the Novin Energy Company. Bank Mellat has facilitated the movement of millions of dollars for Iran's nuclear program.

(U) AEOI was identified in the Annex to U.S. Executive Order 13382, in June 2005, and was listed in the Annex of United Nations Security Council Resolution 1737 on December 23, ¶2006. Novin Energy Company was designated under U.S. Executive Order 13382 on January 4, 2006 and was also listed in the Annex of United Nations Security Council Resolution 1747 on March 24, 2007. Bank Mellat itself was designated, under U.S. Executive Order 13382, on 25 October 2007, for providing financial services to AEOI and Novin Energy Company.

(S//REL MYS) Novin Energy Company acted as a financial conduit for AEOI, having moved millions of dollars on its behalf since its creation in 2001. In addition, AEOI's President is also the Managing Director of Novin Energy Company.

(S//REL MYS) Bank Mellat facilitated millions of dollars in business for Novin Energy Company.

(S//REL MYS) In addition, as of 2006, a suspected Iranian nuclear procurer associated with Kalaye Electric Company conducted business with Bank Mellat.

(U) Kalaye Electric Company, which was listed in the Annex to United Nations Security Council Resolution 1737 on December 23, 2006 and designated under U.S. Executive Order 13382 on February 16, 2007, is an Iranian centrifuge research and design entity and is subordinate to AEOI.

(S//REL MYS) BANK MELLAT DEALINGS WITH OTHER WMD PROLIFERATION ENTITIES OF CONCERN

(S//REL MYS) More recently, Bank Mellat has become further involved in facilitating millions of dollars in business involving Iran's Aerospace Industries Organization ("AIO").

(U) AIO is designated in the Annex to U.S. Executive Order ¶13382. AIO oversees Shahid Hemmat Industries Group and Shahid

Bakeri Industrial Group, which are involved in Iran's ballistic missile program and are designated in the Annex of United Nations Security Council Resolution 1737.

(S//REL MYS) In mid 2007, Bank Mellat was involved with Bank Sepah in facilitating millions of dollars in business with AIO.

(U) Bank Sepah was designated under U.S. Executive Order 13382 on January 9, 2007, and also designated in the Annex of United Nations Security Council Resolution 1747.

(S//REL MYS) In mid 2007, an Iranian entity, associated with its missile industry, suggested that China Precision Machinery Import Export Corporation, an entity designated under Executive Order 13382 for providing material support to Iran's missile program, used Bank Mellat to finance purchases associated with the contract for missile-related goods.

(S//REL MYS) BANK MELLAT'S CONTINUED ROLE IN IRAN'S PROLIFERATION FINANCE NETWORK

(S//REL MYS) We have information that Bank Mellat continues to provide financial services on behalf of entities that have been identified by either the United Nations or the United States as facilitators of proliferation or terrorism. Some examples of Bank Mellat's efforts on behalf of designated entities include the following:

(S//REL MYS) In late 2007, subsequent to the UN Security Council listing of Bank Sepah, Bank Sepah's Rome branch handled letters of credit for the Singapore branch of the Sanpaolo IMI SpA bank worth approximately \$500,000. The letters of credit were for Bank Mellat Tehran.

(S//REL MYS) We also have information that Bank Mellat has conducted activity for front companies and subordinates of designated entities. Examples of this activity include the following:

(S//REL MYS) In early 2008, a Bank Mellat branch was the consignee for a shipment of defense-related goods to a

STATE 00013998 003 OF 003

company we believe was acting as a front for Iran's Defense Industries Organization.

(S//REL MYS) In late 2007, Bank Mellat Seoul was involved with a payment intended for a designated entity from an Iranian company.

15. (S//REL MYS) Post may convey the following two points ORALLY ONLY.

(S//REL MYS) During 2008, Bank Sepah used Bank Mellat to facilitate millions of Euros in payments to Iran's Aerospace Industries Organization (AIO).

(S//REL MYS) During 2008, Aerospace Industries Organization (AIO) paid several million Euros to companies in Europe and Asia using Bank Mellat.

16. (S//REL MYS) We urge you, consistent with UNSCR 1803 which "(c)alls on all member states to exercise vigilance over the financial activities of banks in their territories with all banks domiciled in Iran, and their branches and subsidiaries abroad", to revoke Bank Mellat's license to operate in Labuan and block any pending transactions to prevent the possibility of proliferation-related activity from taking place.

(S//REL MYS) We look forward to working with you on this and other related security and counter-proliferation matters, and are prepared to provide additional assistance as appropriate.

END NON-PAPER

REPORTING DEADLINE

¶7. (U) Post should report results within seven business days of receipt of this cable. Please slug replies for ISN, T, IO, EAP, TREASURY, and NEA. Please include SIPDIS in all replies.

POINT OF CONTACT

¶8. (U) Washington point of contact for follow-up information is Kevin McGeehan, ISN/CPI, (202) 647-5408, McGeehanKJ@state.sgov.gov.

¶9. (U) Department thanks Post for its assistance.
CLINTON